

Manufacturers' Inventory and Sales Expectations, Fourth Quarter 1971 and First Quarter 1972

MANUFACTURERS reported modest declines in sales and inventories in the third quarter. For the fourth quarter, they expect little change in sales but substantial inventory accumulation. For the first quarter of 1972, they project a sizable sales rise with moderate inventory additions.

Manufacturers' evaluation of the condition of their inventories changed little in the first 9 months of 1971. Although firms holding 20 percent of producers' stocks viewed their inventories as "high" at September 30, the amount of imbalance reported by these companies was small.

These are the results of the latest OBE quarterly survey of Manufacturers' Inventory and Sales Expectations, conducted in November. The previous survey, conducted in August, had projected a moderate sales rise and material additions to stocks in the second half of 1971.

third quarter, reflecting substantial cutbacks by metal fabricators.

Durable goods producers reduced their holdings \$600 million in the first three quarters of 1971. They plan a \$600 million addition this quarter and \$400 million next quarter, when steel and automotive producers plan major increases.

Nondurable goods producers' inventories increased \$400 million in the first half of 1971 and were unchanged in the third quarter. Planned additions are \$700 million this quarter and \$200 million next.

Manufacturers' stock-sales ratios declined in the first half of 1971, rose slightly in the third quarter, and are expected to rise further by yearend. A substantial decline is projected for the first quarter. Recent fluctuations have been primarily in the durable goods sector. The durables ratio is projected at 2.06 months of sales on December 31 and 2.00 months on March 31. The ratio ranged from 2.11 to 2.03 in the first three quarters of this year. The nondurables ratio is projected at 1.37 months of sales at yearend and 1.35 on March 31. The ratio peaked at 1.41 at the close of 1970.

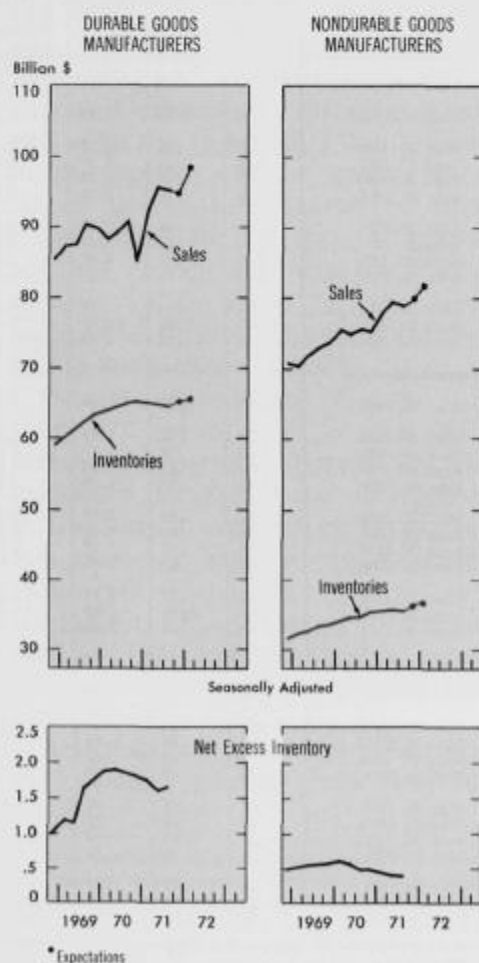
Inventory condition, September 30

On September 30, companies holding 20 percent of manufacturers' stocks judged their inventories "high," down 1 percentage point from June 30 but unchanged from March 31. The "about right" ratio was 79 percent; the "low," 1 percent.

Durable goods producers reported 23 percent of their holdings as "high," 76 percent as "about right," and 1 percent as "low." The "high" ratio reached 28 percent on June 30, 1970 but had declined to 23 percent by last December 31.

CHART 7

Manufacturers' Inventories and Sales



Sales expectations

Sales fell one-half percent from the second to the third quarter, with both durable and nondurable goods producers reporting declines of less than 1 percent. Manufacturers expect aggregate sales to be virtually unchanged this quarter, with durable goods producers' sales falling fractionally and those of nondurable goods producers rising almost 1 percent.

A 3 percent increase is projected for the first quarter of 1972—4 percent for durables, 2½ percent for nondurables. These are substantial gains relative to the changes of the last few years. The expected gains are fairly widespread among industries, with automotive and steel producers showing particular strength.

Inventory additions

Manufacturers expect inventories to rise \$1.3 billion in the fourth quarter and \$0.6 billion in the first. The projected fourth quarter rise would be the first sizable addition this year; inventories barely changed at all in the first half and fell nearly \$0.3 billion in the

The ratios for nondurable goods producers on September 30 were 14 percent "high," 84 percent "about right," and 2 percent "low." The "high" ratio reached 19 percent on March 31, 1970 but was down to 14 percent 1 year later.

Inventory imbalance, September 30

In each of the first three quarters of 1971, manufacturers' inventories were about \$2 billion in excess of needs (after netting excesses and deficiencies). This was equivalent to about 2 percent

of total producers stocks. Last year the excess ranged from \$2½ to \$2¾ billion.

The net excess held by durable goods producers amounted to \$1.63 billion on September 30, little changed from mid-year. The durables excess peaked in mid-1970 at \$1.90 billion.

The net excess of nondurable goods producers was \$400 million on September 30, unchanged from June 30. The nondurables excess was relatively small throughout the past 2 years, peaking at \$600 million on March 31, 1970.

Companies reporting excess inventories had an excess that averaged 12 percent of their inventory book value on September 30. Companies reporting a deficiency had an average shortage equal to almost 20 percent of their book value.

Table 1.—Manufacturers' Inventories and Sales: Actual and Expected¹

	1968				1969				1970				1971				1972
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I ²
Inventories, end of quarter:																	
Unadjusted:																	
All manufacturing.....	84.2	87.6	88.5	90.5	92.6	94.1	94.7	98.4	98.4	98.7	100.1	101.0	100.7	99.4	101.3	102.7	
Durables.....	55.0	57.3	57.7	58.7	60.5	61.6	61.9	62.8	64.2	64.4	64.9	64.8	65.0	64.1	64.8	65.0	
Nondurables.....	30.2	30.3	30.8	31.8	32.4	32.5	32.8	35.6	34.1	34.3	35.2	36.4	35.7	35.3	36.4	37.7	
Seasonally adjusted:																	
All manufacturing.....	80.7	87.6	88.5	90.7	92.8	93.9	95.5	96.7	97.9	98.7	99.8	100.5	100.5	99.8	101.5	102.2	
Durables.....	55.7	57.0	58.1	59.0	60.2	61.3	62.3	63.0	63.9	64.2	65.0	65.1	65.1	64.8	65.0	65.6	
Nondurables.....	30.0	30.6	31.2	31.7	32.2	32.6	33.2	33.7	34.0	34.5	34.8	35.3	35.4	35.0	36.5	36.6	
Sales, total for quarter:																	
Unadjusted:																	
All manufacturing.....	144.6	153.5	149.2	157.2	156.4	163.4	168.9	165.0	161.8	166.1	162.1	161.1	166.7	170.2	170.1	174.5	178.0
Durables.....	80.6	88.1	79.1	80.5	87.0	90.9	85.0	81.0	87.5	92.5	86.3	85.6	92.2	90.8	90.8	95.6	97.9
Nondurables.....	64.0	65.3	69.9	76.7	69.4	72.5	73.2	74.0	74.3	73.6	75.8	75.5	74.5	79.4	79.3	78.9	80.1
Seasonally adjusted:																	
All manufacturing.....	145.3	152.5	149.5	157.0	156.4	163.4	168.9	165.0	161.8	166.1	162.1	161.1	166.7	170.2	170.1	174.4	178.0
Durables.....	80.6	87.8	83.0	85.4	87.2	90.1	88.9	88.2	86.1	90.0	86.0	85.0	92.2	90.8	90.1	94.9	95.5
Nondurables.....	64.7	64.7	66.5	71.6	69.2	73.3	72.9	76.8	75.7	76.1	76.1	76.1	74.5	79.4	79.0	79.5	82.5

1. All actual data have been adjusted to conform with the recent revision by the Bureau of the Census (Report M-3-1-2).
2. Expectations reported by manufacturers in November 1971. Inventory expectations have been corrected for systematic bias.

Sources: U.S. Department of Commerce, Expectations, Office of Business Economics; actuals, Bureau of the Census.

Table 2.—Manufacturers' Evaluation of the Condition of Their Inventories¹

	(Percentage distribution)								
	Total			Durables			Nondurables		
	High	About right	Low	High	About right	Low	High	About right	Low
June 30, 1968.....	18	78	4	21	75	4	13	83	4
September 30, 1968.....	22	76	2	27	70	3	14	83	3
December 31, 1968.....	28	78	2	38	65	3	15	79	5
March 31, 1969.....	31	68	1	37	62	1	20	78	2
June 30, 1969.....	31	67	2	35	63	2	20	78	4
September 30, 1969.....	37	68	1	34	68	2	16	81	4
December 31, 1969.....	28	72	3	31	67	2	15	81	4
March 31, 1970.....	28	72	3	31	66	3	15	82	3
June 30, 1970.....	28	72	3	31	67	2	15	80	4
September 30, 1970.....	24	73	2	28	78	2	16	79	5
December 31, 1970.....	18	80	2	19	79	2	18	82	2
March 31, 1971.....	20	78	2	21	77	2	17	82	1
June 30, 1971.....	21	77	2	22	78	2	15	80	2
September 30, 1971.....	23	76	1	25	72	1	17	82	1
December 31, 1971.....	23	76	1	25	73	2	18	81	1
March 31, 1972.....	24	76	1	27	72	1	19	80	1
June 30, 1972.....	24	76	1	28	71	1	17	81	2
September 30, 1972.....	22	77	1	25	74	1	16	82	2
December 31, 1972.....	21	78	1	23	78	1	16	83	1
March 31, 1973.....	30	79	1	33	75	2	14	85	1
June 30, 1973.....	21	78	1	24	76	1	15	88	2
September 30, 1973.....	30	79	1	23	76	1	15	84	2

¹ Revised.

1. Condition of actual inventories relative to sales and unfilled orders position as viewed by reporting companies. Percent distribution of inventory book values according to companies' classifications of their inventory condition.

Note.—Due to change in survey questionnaire, data starting December 31, 1968, are not strictly comparable to prior data.
Source: U.S. Department of Commerce, Office of Business Economics.

Table 3.—Inventory Imbalance

	Inventory excess	Inventory defi- ciency	Net excess	
			Amount	Percent of total inventories
All manufacturers:				
Dec. 31, 1968.....	1.73	0.28	1.45	1.7
Mar. 31, 1969.....	1.87	.16	1.71	1.9
June 30, 1969.....	1.96	.24	1.72	1.9
Sept. 30, 1969.....	2.26	.15	2.11	2.4
Dec. 31, 1969.....	2.68	.30	2.38	2.5
Mar. 31, 1970.....	2.88	.10	2.78	2.8
June 30, 1970.....	2.62	.15	2.47	2.5
Sept. 30, 1970.....	2.48	.11	2.37	2.4
Dec. 31, 1970.....	2.44	.13	2.31	2.3
Mar. 31, 1971.....	2.31	.14	2.17	2.2
June 30, 1971.....	2.37	.17	2.00	2.0
Sept. 30, 1971.....	2.25	.28	2.03	2.0
Durable goods:				
Dec. 31, 1968.....	1.20	.50	.70	1.7
Mar. 31, 1969.....	1.31	.13	1.18	2.0
June 30, 1969.....	1.35	.18	1.17	1.8
Sept. 30, 1969.....	1.75	.11	1.64	2.7
Dec. 31, 1969.....	1.94	.13	1.78	2.8
Mar. 31, 1970.....	1.97	.09	1.88	2.8
June 30, 1970.....	2.00	.10	1.90	2.9
Sept. 30, 1970.....	1.94	.07	1.87	2.8
Dec. 31, 1970.....	1.88	.07	1.81	2.8
Mar. 31, 1971.....	1.81	.07	1.74	2.7
June 30, 1971.....	1.83	.11	1.60	2.5
Sept. 30, 1971.....	1.85	.23	1.63	2.6
Nondurable goods:				
Dec. 31, 1968.....	.64	.08	.56	1.5
Mar. 31, 1969.....	.64	.01	.63	1.8
June 30, 1969.....	.61	.06	.55	1.7
Sept. 30, 1969.....	.61	.04	.57	1.8
Dec. 31, 1969.....	.59	.08	.51	1.7
Mar. 31, 1970.....	.61	.01	.60	1.8
June 30, 1970.....	.62	.06	.57	1.7
Sept. 30, 1970.....	.64	.04	.60	1.8
Dec. 31, 1970.....	.60	.06	.54	1.6
Mar. 31, 1971.....	.60	.07	.53	1.3
June 30, 1971.....	.60	.10	.49	1.1
Sept. 30, 1971.....	.61	.11	.49	1.1

¹ Revised.

Sources: U.S. Department of Commerce, Office of Business Economics.